

## Memorandum

To: Karen Wroten, Personnel Officer  
Human Resources Branch

Date: September 11, 2008

From: Brian A. Kwake  
**Department of Fish and Game**

Audit Control Number  
**WA-08-05**

Subject: Suspected Fisheries Branch Purchasing Irregularity

At your request, on August 20, 2008, the Audit Branch (AB) began a review of a suspected purchasing irregularity involving an employee of the Department of Fish and Game's (DFG) Fisheries Branch (FB). The review covered CalCard transactions for card number [REDACTED], FB Verizon Wireless transactions, and FB vendor transactions for the period March 1, 2008, through June 30, 2008. This management memorandum details the results of our review.

### **Summary of Findings**

The AB concluded there were no irregularities or other patterns of misuse of the DFG CalCard number [REDACTED] and FB Verizon Wireless transactions for the period March 1, 2008 through June 30, 2008. In-addition, we did not disclose any unauthorized DFG payments to the vendors we reviewed. However, as a result of the AB's review, we disclosed the following issues:

- The FB employee [REDACTED] opened an unauthorized account with ABC Distributing Company in October 2006 under DFG's name and made payments by personal checks.
- There appears to be excessive personal usage of [REDACTED] email account.
- The FB does not have an adequate separation of duties for the purchasing function.

### **Background**

On August 20, 2008, the AB Chief was notified via email by DFG's Human Resources Branch (HRB) of a suspected purchasing irregularity. HRB received its information from the Administrative Officer II (AO II) at the FB. According to the AO II's email, an employee [REDACTED] in the FB opened a catalog account in DFG's name and charged personal items out of the catalog. [REDACTED] has other catalogs delivered to the FB office, but [REDACTED] supervisor (AO II) does not know if [REDACTED] opened credit lines with the other clothing catalog companies.

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HRB contacted the AO II and requested the catalogs be provided to HRB.

On August 21, 2008, the AB Chief met with HRB staff and the FB AO II to obtain further background information:

According to the AO II, [REDACTED] is out on medical leave. [REDACTED] is a Staff Services Analyst (SSA) and works directly for the AO II. [REDACTED] duties include receiving the daily mail, procurement (initiating purchases, preparing purchase orders, ordering items, receiving items, and preparing documents for the AO II's approval), CalCard purchases, and working with the magnetic card security system used to control access to the FB located at 830 S Street (9<sup>th</sup> and S), Sacramento, California. The AO II has tried to restrict [REDACTED] access to the building while she is on medical leave, however, has not had success. There is a problem with the building access equipment and the FB is unable to make the access card changes.

Since [REDACTED] has been on medical leave, the AO II reviews the daily mail. When reviewing the daily mail, the AO II noticed an invoice addressed to DFG – FB from ABC Distributing Company. When she opened the letter, it was an invoice dated July 20, 2008, for a clothing item, ladies tank top, at a cost of \$23.61. This did not appear to be a DFG business related item. The AO II contacted the ABC Distributing Company on August 19, 2008, and obtained the following information from the customer clerk [REDACTED] relative to this account:

- The account was opened in October 2006 in the name of the DFG;
- The account number is [REDACTED];
- Invoices were to be addressed to DFG, FB, 830 S Street, Sacramento, California 95811, Attention [REDACTED]; and
- Payments were made by personal check.

The AO II cancelled the account in DFG's name.

The AO II provided the AB with six different clothing catalogs that had been received through the mail at the FB office and a printout of a Joann Craft company web site page from [REDACTED] office. The catalogs included:

- ABC Distributing Company, Account No. [REDACTED];
- Jessica London, Account No. [REDACTED];
- Roaman's, Account No. [REDACTED];
- Metrostyle, Account No. [REDACTED];
- Monterey Bay, Account No. (maybe) [REDACTED]; and
- Woman Within, Account No. [REDACTED].

A review of the catalogs disclosed only the ABC Distributing Company catalog included the DFG-FB in its address.

Next, the AO II had a concern about a Verizon Wireless cell phone invoice. [REDACTED] state cell phone was cancelled because it was not necessary for [REDACTED] position. The AO II had questions about a \$40.38 charge on the invoice and was not sure if it was a valid DFG account or not. It is possible [REDACTED] personal cell phone is part of the invoice charges.

In-addition, the AO II believes [REDACTED] has been entering the FB building on weekends to use state equipment for personal purposes. For example, [REDACTED] may be using [REDACTED] office computer to edit and print pictures on the FB color printer, and preparing brochures and other information for her outside club/organization named "Liberty Belles and Beaus."

### **Review Objectives:**

The objectives of the assignment were to determine if there was misuse of state assets by a state employee for personal gain or advantage and possibly billing the DFG for personal purchases made by various mail order catalogs.

### **Review Scope:**

The scope of the review consisted of FB CalCard transactions for card number [REDACTED], FB Verizon Wireless transactions, and FB vendor transactions for the period March 1, 2008, through June 30, 2008.

### **Review Methodology**

The AB conducted the following review steps:

- Contacted the ASB to determine if any payments were made to these catalog companies;
- Contacted the catalog companies to determine if DFG is listed as the account holder and how payments have been made, e.g. personal check, DFG check, CalCard credit card, etc.;
- Conducted a CalCard review for account number [REDACTED];
- Reviewed the FB Verizon invoice to determine if paid by DFG and if it is a valid DFG account; and
- Contacted the AO II at FB to restrict [REDACTED] building access to normal business hours.

## **Results of Review**

The AB did not disclose irregularities or other patterns of misuse of the DFG CalCard number [REDACTED] and FB Verizon Wireless transactions for the period March 1, 2008 through June 30, 2008. In-addition, the AB did not disclose any DFG payments to the seven catalog vendor companies reviewed. However, in accordance with Government Code (GC) Sections 8314 (b) (1), 19572 (p), 19990 (b), and the State Administrative Manual (SAM) Sections 2880 and 3504, based on the following issues, the AB believes there is sufficient evidence to suggest there was a misuse of state property, using state equipment for other than official state business, and the appearance of misrepresentation to a vendor that personal purchases were for the state.

[REDACTED] opened an account with ABC Distributing Company in October 2006 under DFG's name and made payments by personal checks. One invoice in the amount of \$23.61 remains unpaid. There is no evidence that DFG made payments to the seven vendors examined. Although payments were not made to these vendors by DFG, [REDACTED] was not authorized to open an account with ABC Distributing Company under DFG's name. Listing DFG on the account puts DFG at risk for liability of non-payments on the account and/or other account problems that may arise. We tried to cancel the account with ABC Distributing Company; however, the Company will not cancel the account until the outstanding invoice amount of \$23.61 is paid. Also, opening an unauthorized account in DFG's name provides the appearance the account was opened to misrepresent to ABC Distributing Company that personal purchases were for the state.

There appears to be excessive personal usage of [REDACTED] DFG email account. HRB provided the auditor copies of [REDACTED] DFG email account. Review of these emails disclosed the majority of emails received were related to personal issues. The personal emails received included cell phone bills, credit card statements, credit scores, emails from friends, and vendors that did not appear to be DFG related business,

The FB does not have proper separation of duties over the procurement process. [REDACTED] initiates, orders, receives, signs off on the invoice of items received, and prepares the CalCard packages for payment. GC Section 13402 and SAM Section 8080.1 requires each department maintain an adequate system of internal controls which includes separation of duties. No one person should be responsible for more than one of these specific procurement duties. Not properly segregating duties increases the risk of loss, theft, and abuse of state assets. These duties should be properly segregated in accordance with state guidelines.

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Lastly, [REDACTED] is in control of the electronic access to the FB building and [REDACTED] is currently on medical leave. There is a problem with the building access equipment and the FB is unable to restrict [REDACTED] access to the building. Allowing [REDACTED] unrestricted access to the building outside of normal business hours increases the risk that state assets and equipment will be used for non business related activities.

### **Recommendations**

The AB recommends that DFG require [REDACTED] to pay the outstanding invoice to ABC Distributing Company. Once the invoice is paid, the FB AO II should ensure the account is cancelled. The FB should review its procurement duty assignments and ensure adequate separation of duties is implemented in accordance with state criteria. No one person should be responsible for initiating, ordering, receiving, signing off on the invoice of items received, and authorizing the CalCard packages for payment. If [REDACTED] continues in the procurement position, the FB should provide training relative to acceptable procurement practices. The FB should coordinate with HRB to determine if disciplinary action is warranted. The AB further recommends the FB repair the problem with the building access equipment and remove [REDACTED] from controlling the magnetic card security system used to control access to the FB building.

Should you have any questions, please contact me, or Meredith Taylor of my staff, at (916) 445-3367.

cc: J. McCamman  
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